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AS A. T. BURCH SEES IT

Cuban Ransom Fund Smacks of Blackmail

WAYS AND means used to raise the Cuban ransom fund have caused a good deal of uneasiness expressed in newspaper comment.

The most common contention is that, directly or indirectly, the U.S. government is paying tribute to the Cuban government in exchange for the return of the ransom fund. This is a position of paying tribute to a government which is in a position of weakness and inferior resources and military power.



A. T. BURCH

That some people feel, would be a humiliation such as the United States has not suffered since the suppression of the Barbary pirates early in the 19th Century.

The administration at Washington has taken pains to avoid any overt acts that would look like the payment of an indemnity to Cuba for the ill-fated attempt of Cuban refugees to invade the island in April, 1961.

The invasion was undertaken with American sponsorship according to American plans that were never fully carried out.

Not only did this government itself provide no air cover for the strike, it did not even permit the refugees to carry out the final air attacks that were explicitly authorized before the attack was launched, and which their meager equipment of obsolete U.S. planes would have permitted.

DESPITE THE President's care to avoid technicalities that would place the ransom in the classification of indemnity, some flavor of it lingers in the air.

At the least, the government is contributing indirectly by the tax concessions it has extended to the drug firms and others that contributed to the allegedly private charitable effort. In form, the contributions were made to the Red Cross, a charitable organization of long history and high standing.

I am not disturbed by the

Hint Pressure Put on Donating Firms



R. KENNEDY

have been, the ransom might properly have been paid out of the national Treasury.

Indemnity is a dirty word, but perhaps we all owed it. All of us owed it, certainly, as much as any particular individual or any particular corporation.

THE MANUFACTURERS of drugs and the suppliers of medical and hospital equipment did not spontaneously and simultaneously think up by themselves the idea of bailing out the refugees. They were importuned by high officials of the Treasury and of the Department of Justice.

In some instances, Atty. Gen. Robert Kennedy, the President's brother, intervened directly. In others, representatives of the solicited firms were told they could talk to "Bobby" if they wanted his personal assurance that the tax concessions would be approved by the Department of Justice.

WHEN THE attorney gen-

eral of the United States teams up with the Treasury Department to collect a huge charitable fund in a few days time, the project smacks of blackmail.

In the complexity of today's tax laws, the most scrupulous and innocent of corporations could be expensively harassed by the Treasury, plus the attorney general.

The courts might finally attest to the complete virtue of the taxpaying corporation, but it could cost a lot of money for attorneys' fees and other expenses to procure the testimonial from the court of final resort, after lengthy proceedings in lower jurisdictions.

GENERALLY speaking, the attorney general of the United States and the commissioner of internal revenue are about the last people in the country who can, with propriety, head up a charity drive whatever.

In my lifetime, I have known some old-fashioned newspaper editors who, while editorially supporting good causes, refused personally to solicit money for any of them.

They did not want the "prospects" to fear reprisal if they refused or hope for favorable editorial treatment if they contributed.

The chances are that an editor or publisher scrupulous enough to consider this question would not really deal out any rewards or penalties whatever. But the opportunities of the least scrupulous to reward or punish are trivial compared



KEFAUVER

with the powers of the Internal Revenue Service and the Justice Department.

All Arrangements Not Made Public

The public does not know all the arrangements that were finally made with respect to tax deductions on these contributions. There have been reports of assurances to manufacturers that they could deduct from their taxable income not merely the wholesale value of the products, but the retail value.

The normal corporation tax rate is 52 per cent of net profits.

Depending on the special arrangements, the contributions of the suppliers will cost them 48 per cent of the value, or less than that.

If they can charge retail prices, the final cost would depend on the markup. If it was high enough, they could break even; if it was extraordinarily high, they might even come out ahead.

It is uncomfortable to find

any corporation's tax liability depending, not just on the general rules, but on arrangements negotiated—or dictated—in advance.

I PRESUME—and this is only a presumption—that all or most of the suppliers did make some contribution not wholly compensated by tax deductions.

But if so, these selected individuals were being called on to carry an obligation that was really a public obligation, and not the obligation of individual persons or firms selected by high government officials.

THE DRUG industry has been the subject of special attack by Sen. Estes Kefauver (D-Tenn.) and some others who have charged it with price fixing and other violations of the anti-trust laws.

Kefauver's views do not seem to have been very widely shared even among members of Congress, and the administration has showed no great interest in pursuing his objectives.

Still, he created enough noise to focus more than ordinary attention on this industry.

Do the contributing suppliers imagine, truly or falsely, that they will enjoy some protection they might not otherwise have got? If they do not get the protection, will they feel cheated and betrayed?

Whatever the outcome, the procedure of the Internal Revenue Service and the Department of Justice in this case is not an example that ought to be repeated often or ever.

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